

APPENDIX

*Act of Congress Governing the Creation and Operation
of Federal Savings and Loan Association*

Section 5 of the Home Owners' Loan Act of 1933, c. 64, 48 Stat. 128, 132, as amended by Sections 5 and 6 of the Act of April 27, 1934, c. 168, 48 Stat. 645, 646, and Section 18 of the Act of May 28, 1935, c. 150, 49 Stat. 297 (U. S. Code, Title 12, Sec. 1464) provides:

"SEC. 5. (a) In order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes, the Board is authorized, under such rules and regulations as it may prescribe, to provide for the organization, incorporation, examination, operation, and regulation of associations to be known as 'Federal Savings and Loan Associations', and to issue charters therefor, giving primary consideration to the best practices of local mutual thrift and home-financing institutions in the United States.

"(b) Such associations shall raise their capital only in the form of payments on such shares as are authorized in their charter, which shares may be retired as is therein provided. No deposits shall be accepted and no certificates of indebtedness shall be issued except for such borrowed money as may be authorized by regulations of the Board.

"(c) Such associations shall lend their funds only on the security of their shares or on the security of first liens upon homes or combination of homes and business property within fifty miles of their home office: *Provided*, That not more than \$20,000 shall be loaned on the security of a first lien upon any one such property; except that not exceeding 15 per centum of the assets of such association may be loaned on other improved real estate without regard to said \$20,000 limitation, and without regard to said fifty-mile limit, but

secured by first lien thereon: *And provided further*, That any portion of the assets of such associations may be invested in obligations of the United States or the stock or bonds of a Federal Home Loan Bank: *And provided further*, That any such association which is converted from a State-chartered institution may continue to make loans in the territory in which it made loans while operating under State charter.

“(d) The Board shall have full power to provide in the rules and regulations herein authorized for the reorganization, consolidation, merger, or liquidation of such associations, including the power to appoint a conservator or a receiver to take charge of the affairs of any such association, and to require an equitable readjustment of the capital structure of the same; and to release any such association from such control and permit its further operation.

“(e) No charter shall be granted except to persons of good character and responsibility, nor unless in the judgment of the Board a necessity exists for such an institution in the community to be served, nor unless there is a reasonable probability of its usefulness and success, nor unless the same can be established without undue injury to properly conducted existing local thrift and home-financing institutions.

“(f) Each such association, upon its incorporation, shall become automatically a member of the Federal Home Loan Bank of the district in which it is located, or if convenience shall require and the Board approve, shall become a member of a Federal Home Loan Bank of an adjoining district. Such associations shall qualify for such membership in the manner provided in the Federal Home Loan Bank Act with respect to other members.

“(g) The Secretary of the Treasury is authorized on behalf of the United States to subscribe for preferred shares in such associations which shall be preferred as

to the assets of the association and which shall be entitled to a dividend, if earned, after payment of expenses and provision for reasonable reserves, to the same extent as other shareholders. It shall be the duty of the Secretary of the Treasury to subscribe for such preferred shares upon the request of the Board; but the subscription by him to the shares of any one association shall not exceed \$100,000, and no such subscription shall be called for unless in the judgment of the Board the funds are necessary for the encouragement of local home financing in the community to be served and for the reasonable financing of homes in such community. Payment on such shares may be called from time to time by the association, subject to the approval of the Board and the Secretary of the Treasury; but the amount paid in by the Secretary of the Treasury shall at no time exceed the amount paid in by all other shareholders, and the aggregate amount of shares held by the Secretary of the Treasury shall not exceed at any time the aggregate amount of shares held by all other shareholders. To enable the Secretary of the Treasury to make such subscriptions when called there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$100,000,000, to be immediately available and to remain available until expended. Each such association shall issue receipts for such payments by the Secretary of the Treasury in such form as may be approved by the Board, and such receipts shall be evidence of the interest of the United States in such preferred shares to the extent of the amount so paid. Each such association shall make provision for the retirement of its preferred shares held by the Secretary of the Treasury, and beginning at the expiration of five years from the time of the investment in such shares, the association shall set aside one third of the receipts from its investing and borrowing shareholders to be used for the purpose of such retirement. In case of the liquidation of any such association the shares held by

the Secretary of the Treasury shall be retired at par before any payments are made to other shareholders.

“(h) Such associations, including their franchises, capital, reserves, and surplus, and their loans and income, shall be exempt from all taxation now or hereafter imposed by the United States, and all shares of such associations shall be exempt both as to their value and the income therefrom from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States; and no State, Territorial, county, municipal, or local taxing authority shall impose any tax on such associations or their franchise, capital, reserves, surplus, loans, or income greater than that imposed by such authority on other similar local mutual or cooperative thrift and home financing institutions.

“(i) Any member of a Federal Home Loan Bank may convert itself into a Federal Savings and Loan Association under this Act upon a vote of 51 per centum or more of the votes cast at a legal meeting called to consider such action; but such conversion shall be subject to such rules and regulations as the Board may prescribe, and thereafter the converted association shall be entitled to all the benefits of this section and shall be subject to examination and regulation to the same extent as other associations incorporated pursuant to this Act.

“(j) In addition to the authority to subscribe for preferred shares in Federal Savings and Loan Associations, the Secretary of the Treasury is authorized on behalf of the United States to subscribe for any amount or full paid income shares in such associations, and it shall be the duty of the Secretary of the Treasury to subscribe for such full paid income shares upon the request of the Federal Home Loan Bank Board. Payment on such shares may be called from time to time by the association, subject to the approval of said

Board and the Secretary of the Treasury, and such payments shall be made from the funds appropriated pursuant to subsection (g) of this section; but the amount paid in by the Secretary of the Treasury for shares under this subsection and such subsection (g), together shall at no time exceed 75 per centum of the total investment in the shares of such association by the Secretary of the Treasury and other shareholders. Each such association shall issue receipts for such payments by the Secretary of the Treasury in such form as may be approved by said Board and such receipts shall be evidence of the interest of the United States in such full paid income shares to the extent of the amount so paid. No request for the repurchase of the full paid income shares purchased by the Secretary of the Treasury shall be made for a period of five years from the date of such purchase, and thereafter requests by the Secretary of the Treasury for the repurchase of such shares by such associations shall be made at the discretion of the Board; but no such association shall be requested to repurchase any such shares in any one year in an amount in excess of 10 per centum of the total amount invested in such shares by the Secretary of the Treasury. Such repurchases shall be made in accordance with the rules and regulations prescribed by the Board for such associations.

“(k) When designated for that purpose by the Secretary of the Treasury, any Federal Savings and Loan Association or member of any Federal Home Loan Bank may be employed as fiscal agent of the Government under such regulations as may be prescribed by said Secretary and shall perform all such reasonable duties as fiscal agent of the Government as may be required of it. Any Federal Savings and Loan Association or member of any Federal Home Loan Bank may act as agent for any other instrumentality of the United States when designated for that purpose by such instrumentality of the United States.”

*Massachusetts Statutes Relative to Taxation of
Cooperative Banks and their Shareholders*

G. L. (Ter. Ed.) c. 63, sec. 19 provides as follows:

“The capital stock, corporate franchises and personal property, but not the real estate, of co-operative banks shall be exempt from taxation.”

G. L. (Ter. Ed.) c. 59, sec. 5 provides in part as follows:

“The following property and polls shall be exempt from taxation:

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“Sixteenth, Property, other than real estate, * * * owned by Massachusetts savings banks or co-operative banks * * * .

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“Thirtieth, Capital stock and personal property of co-operative banks.”

G. L. (Ter. Ed.) c. 62, sec. 8 provides in part as follows:

“The following income shall be exempt from the taxes imposed by this chapter:

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“Income of intangible personal property exempt from taxation by section five of chapter fifty-nine, except under clauses seventeenth, eighteenth, twenty-second, twenty-third, twenty-seventh, twenty-ninth and thirty-third of said section.”

Acts, 1937, c. 395, sec. 1 provides in part as follows:

“Chapter three hundred and seven of the acts of nineteen hundred and thirty-three is hereby amended by striking out section nine, as most recently amended by section one of chapter eighty-two of the acts of nineteen hundred and thirty-six, and inserting in place thereof the following:—Section 9. Income received by

any inhabitant of the commonwealth during the years nineteen hundred and thirty-three, nineteen hundred and thirty-four and nineteen hundred and thirty-five from dividends on shares in all corporations, joint stock companies and banking associations, organized under the laws of this commonwealth or under the laws of any state or nation, except co-operative banks, building and loan associations and credit unions chartered by the commonwealth, and except savings and loan associations under the supervision of the commissioner of banks, and income received by any inhabitant of the commonwealth during the years nineteen hundred and thirty-six, nineteen hundred and thirty-seven and nineteen hundred and thirty-eight from such dividends, other than stock dividends paid in new stock of the company issuing the same, shall be taxed at the rate of six per cent per annum. * * * Subsection (b) of section one of said chapter sixty-two shall not apply to income received during said years."